

5 Common Hurdles During the ERP Selection Process — And How You Can Avoid Them



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Abstract

This whitepaper discusses typical challenges that many companies face during their ERP Selection project and demonstrates proven steps on how you can overcome them.

ERP Selection Background

With so many different solutions on the market, each offering a countless number of unique attributes, sorting through them and selecting the right solution for your organization can be an extremely time-consuming and even daunting task. In fact, according to a recent study by The Wall Street Journal, 73% of all manufacturers are dissatisfied with their current ERP systems. However, following a clearly defined selection process and learning from others' mistakes can drastically improve your chances of success.

ERP Selection Key Steps

Based on our experience in helping clients select the right enterprise software for their business, there are 5 common steps in the ERP Selection process. These steps are:

- Define your critical product requirements
- Develop a focused-list of solutions
- Analyze vendor's strengths and weaknesses
- Determine which solution is best for you
- Contract Negotiations

The Standish Group International Inc. reports that more than **80%** of software projects are unsuccessful in objectively defining requirements.

5 Common Hurdles During the ERP Selection Process

- **Focusing on the Critical Functionality**

It's easy to get caught up in the "wishlist" features of a product.

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In order to get the vital functionality requirements, a company must get key people to document detailed scenarios of their critical business processes that the vendor's system must absolutely be able to handle.

Once a comprehensive list of these scenarios has been developed, utilize them to keep your organization on track and focused during the selection process, and as a comparison tool for vendors.

- **Checking References (The right way)**

Simply asking for references from the vendor and checking to make sure the references are satisfied is a recipe for failure! In order to prudently check references, an organization must ask the vendor to provide you with a reference you can physically visit, that are in your marketplace, similar in number of employees and users, are located in close proximity, have similar functional and technical requirements, and that have been using the specific ERP software for at least 1 year. Following these simple suggestions will demonstrate to you whether you can expect to receive a high level of support from a particular vendor for your geographic location. Furthermore, it will give you a clearer picture of the software since the company will have already gotten past the learning curve and hiccups. Lastly, not only will it enable you to visit customers that are like you; but it will also handcuff the vendor from giving you their best customers.

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- **“Paralysis by Overanalysis”**

Selecting an ERP Solution is one of the most critical decisions a business can make. However, overanalyzing and over thinking will cause your information to become outdated and the selection process to lose momentum and even possibly come to a screeching halt. In order to avoid facing this problem, prior to beginning the selection process, the ERP evaluation team must develop a specific and realistic time-line of objectives, goals, and deliverables. Without outlining a clear path and on how or when to move forward, the ERP selection process may take longer than it should and possibly expose the business to unnecessary additional risk.

- **Putting Together an Effective Evaluation Team**

An ERP Selection project is not an IT decision; it is a business decision. As a result, in order to identify the right solution for the business, a team must be formed that represents all functions of the business. Furthermore, in order for an evaluation team to be successful, there needs to be one manager chosen to be accountable and responsible for the success of the team. This person should have the authority to make decisions and be a bridge to upper management. In addition, key top management people and evaluation team members should look out for those who want to select a solution simply because they have used a solution in a previous job or are just more familiar with the package.

- **Negotiation**

Prior to beginning the negotiation process, your organization has to outline the desired goals of the negotiation. Unfortunately, many organizations skip this step and their only goal is to squeeze every last dime and get the lowest absolute price from the vendor. This tactic and lack of strategy may save up-front costs, but in the end may cost you much much more! Partnerships work best when both parties have an interest in seeing the other one succeed and it's a win-win scenario. In the negotiation stage, rather than solely focusing on paying the lowest amount, your firm should focus on simply getting a fair deal so that the vendor has the necessary resources to provide you with quality support over the life of the product.

According to The Conference Board Survey in 2001 that interviewed executives that attempted ERP implementations

- i. 34% were very satisfied
 - ii. 40% of the projects failed to achieve their business case within one year of going live
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• Conclusion & Key Points to Remember

In conclusion, selecting an ERP Solution is one of the most critical and expensive decisions your organization will have to make. You will face many challenges, and it will take a lot of hard work and commitment to make the right selection. For companies that do not have the necessary amount of time and expertise to search and make the software selection, one method of drastically reducing risk and greatly increasing your chance of success is by simply getting some help from someone who has been through the selection process before.

Working with an objective consultant will enable you to focus on what it is you do best and have the peace of mind of knowing you are not making the common first-timer mistakes. So whether you are in the very early initial stages of gathering information, are working with a consultant, or at the very end of the selection process and are negotiating with the vendor, hopefully the insight delivered above will help you side-step the potential ERP selection landmines.

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